

THE WASHINGTON POST -- 10 March 1983

Comsat Is Leading In Bid to Buy U.S. Weather Satellites

By Michael Schrage
and Philip J. Hiltz

Washington Post Staff Writers

Communications Satellite Corp. appears to be the leading candidate to take control of the government's weather and remote-sensing satellite system if the Reagan administration succeeds in its proposal to sell the service to private industry.

Comsat's plan, called EarthStar, would have the company purchase the government satellite system for roughly \$300 million. The government, which is the major user of the satellite data, would guarantee to purchase it from Comsat for at least 10 years for an undetermined price.

The plan, which Comsat initially proposed in late 1981, contends that they could run the satellite business more efficiently, saving the government as much as \$600 million in the first five years of operation and \$80 million each year thereafter.

The Washington-based company, which also hopes to broadcast television programming directly to customers via satellite, argues that EarthStar would be the first step in creating a competitive marketplace for weather and remote-sensing satellite services. The company points to European and Japanese efforts to establish satellite data systems consortia to market such data internationally.

Comsat is awaiting a response from the Commerce Department.

The plan, however, has sparked charges that Comsat wants the government to subsidize its entry into a new business. "On the left hand," says Jonathan Miller, editor of Satellite Week, "Comsat says, 'we'll take it from you' and on the right hand, 'we want you to guarantee a profit.' Comsat wants privatization—but it also wants subsidies."

Warren Washington, a government scientist who serves on the National Advisory Committee on Oceans and Atmosphere, called the plan a "guaranteed subsidy" for Comsat. Experts have estimated that the satellite system Comsat would acquire is worth \$1 billion more than Comsat would be paying for it.

Comsat cost estimates are directly

See COMSAT, E5, Col. 4

COMSAT, From E1

at odds with a study by the Commerce Department's National Environmental Satellite, Data and Information Service, which asserted that private ownership would result in a cost increase of over \$190 million annually to the government. The report, presented late last year, was rejected by the Commerce Department.

Another issue, raised by some congressional staff members, is that the proposal could give Comsat a de facto monopoly if it receives a guaranteed long-term contract from the government—the largest consumer of satellite data. One aide questioned whether other satellite companies would have an incentive to enter the market under these circumstances.

It is not clear, however, whether there could be a private commercial market for satellite information, some experts said.

Currently, says John McElroy, head of satellite services for NESDIS, 95 percent of the information from the weather satellites is sold to government agencies. In the remote-sensing area, where satellites are used for monitoring agriculture, extractive industries and resource management, the government consumes roughly half the data.

McElroy argues that there would be significant growth in private satellite services if the government got out of the business because "the government is simply not a good marketer" of data. He dismisses the idea that turning weather satellites over to private business could lead to the public being charged for forecasts. "The National Weather Service," says McElroy, "would continue to receive the data."

But Leo R. Harrison, president of the National Weather Services Employees Organization, says that plan "makes as much sense as selling the

Washington Monument then renting it back so the public can go in free."

Several potential competitors, such as American Science and Technology of Bethesda and Space Services of Texas, had no direct comment on the Comsat proposal but both believe that a growing marketplace for satellite data services would be possible if the government phased out its involvement. NESDIS sources indicate that it costs \$150 million annually to support a remote-sensing satellite and about half that to maintain a weather satellite.

But Satellite Week's Miller says it is still far from certain that a significant marketplace for satellite data actually exists outside of the government. "So far, the numbers don't add up—there are few known numbers at all. And the American taxpayer, having capitalized the development of these systems through their taxes, should know what they're going to get," Miller said.